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Notes from Mosier — "What Goes Around, Comes Around – Pricing Models for Print Books"

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Like many readers of ***Against the Grain***, I have been reading **Richard Abel's** serialized history of the **Richard Abel Company** with much interest. (**Papa Abel Remembers: A Tale of a Band of Booksellers**.) My own curiosity is fueled in no small part by the fact that I worked for nearly thirty years for **Blackwell's**, and, when I joined the firm in the late 1970s, many of the staff were **Abel** veterans. **Blackwell North America** was established on January 1, 1975 as a result of the acquisition of selected assets of **Richard Abel & Company** by **Blackwell's** of Oxford. The culture of **Blackwell North America** (or **B/NA** — the **Bureau of National Affairs** has right of prior claim to the acronym **BNA**) throughout the 1970s and into the 1980s was still largely informed by the **Abel Company** and its former employees.

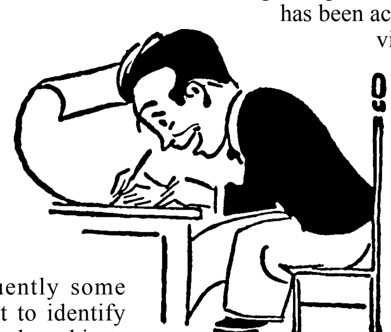
Some years ago I embarked on a project to conduct oral history interviews with various staff — both **B/NA** folks and staff associated with **B. H. Blackwell, Ltd.** of Oxford (hereafter referred to as **BHB**). This project is ongoing. One of my most recent subjects was **Donald B. Satisky**, who served as a sales rep for **Abel**, and later **Blackwell**, and who eventually became Senior Vice President of Sales and Marketing for **Blackwell's** worldwide.

This has inspired me to start writing a history of **Blackwell's** beginning in 1975, when **B/NA** was created. Although a couple of books have already been written about **Blackwell's** (**Norrington's** and another), these focus primarily on the UK-based retail business and to some extent the company's publishing arm (which survives today only as an imprint of **John Wiley & Sons**); my area of concentration will be the firm's various library services companies.

Before I start on this history, though, I want to devote a column to a subject that's been covered before, but which I think merits re-examination. While listening to **Don's** interview, particularly that part covering the end of the **Abel** years and the beginnings of **B/NA**, I again considered **Don's** reflections on issues that contributed to the demise of the Abel company. One of these was what was known as "cost-plus pricing".

Back in the day American book vendors typically relied on one of two pricing strategies: either a sliding scale or a flat discount. (European vendors, in contrast, typically sold at list price. UK booksellers were shielded by something called the British Net Book Agreement, which restricted discounts to all but a handful of libraries in the UK — e.g., the **British Library**, and the **National Libraries of Scotland** and **Wales** — but that's a topic for another column.) Sliding scales consisted of different categories which reflected the discounts booksellers obtained from publishers. One example from the '70s used by **B/NA** was 25/10/5/Net, which meant a library would see anywhere from a 25% discount off publishers' list price to list price (or net), depending on how generous a discount we got from the publisher. Public libraries generally got higher discounts than academic libraries because the mix of what they purchased was more heavily weighted to trade and mass market titles. University presses, learned societies and associations, museums, and other publishing entities more commonly encountered with an academic library's mix, usually carried little or no discount to the vendor.

Flat discounts, on the other hand, were commonly negotiated with individual libraries to give the library an across the board deal, and in return the vendor got a commitment to a volume and mix that would assure profitability. This tended to drive consolidation, which took time after the financial decline of the early 1970s. When I started my career I was often struck by comments from librarians who had devoted all of their periodicals business with a single agent, e.g., **Faxon**, who they'd prepay well before receiving any journal issues but who would tell me they had a policy of "not putting all their eggs in one basket" for book orders — even though they didn't pay book vendors until the goods were received. Consequently some book vendors sought to identify themselves with particular subjects or publisher types — e.g., sci-tech or university presses. After all, if you were reasonably confident you wouldn't get all of a library's business, then best to go after the most desirable bits. Sci-tech titles have high list prices, so even if the publisher discount is lower than that for trade books (say, 20%-30% versus 40%, 42%, or even 50%), the per-book contribution to your bottom line was far more attractive than that 50% off a $19.95 novel.



Flat discounts were initially tailored to give libraries a better overall deal (and predictability), while enabling vendors to offset low and no-discount titles on one side of the equation with more profitable ones on the other. As long as the mix was balanced, both libraries and vendors came out ahead.

This was a sometimes challenging pitch to make back in the early 1970s, so the **Abel** team came up with a novel idea: price books at the vendor's net price plus a fixed service charge (really, not all that different than the way periodical pricing was handled). Instead of list price, your invoice would actually reveal the true purchase price the vendor paid to the publisher (so, let's say a $90 chemistry book, carrying a 30% discount ($27), for a net price of $63; plus that service charge — let's say $5 — yielding a total price of $68.) This enabled the vendor to cover his costs and make some profit, while the library gained greater transparency in the actual cost of books.

Alas, the scheme was a disaster. Libraries refused to move away from the traditional discount concept, and whether or not the pricing model contributed to the ultimate failure of the **Richard Abel Company** or not, the idea gained no traction. The industry never again attempted such an alternative to pricing.

Well, that was then and now is now, or at least later. With the advent of the web and web-based bookselling companies in the 1990s, libraries could gain instant access to (claimed) stock availability and (declared) prices. Many libraries that had entered into agreements with traditional library vendors for specific terms in return for volume and mix began splitting off, at least of their orders, to these e-tailers to gain a perceived price advantage. This trend has been accelerating ever since, and in my view threatens to compromise the business model of conventional vendors and ultimately reduce the options — and beneficial pricing — available to libraries.

I've been struck by the number of libraries wherein print monographic acquisitions has devolved to a point where clerks will research each and every title online, and place their orders where the cheapest available edition evidently resides. The transactional costs for this approach aside, its effect on library suppliers is potentially devastating. Why? Because if a library skims off the bulk of the higher-discount titles to one group of suppliers, but continues to expect notable discounts on everything else from their traditional vendors, the margins just aren't there to support it.

Some will argue that as budgets for print books have continued to decline (whether because of serials price inflation, migration from print to digital, etc. — doesn't matter; at the end of the day there's just not as much money for books) — libraries must seek to obtain the best possible deal they can on every single title. I think this is a myopic view of the world.

Think about it: one consequence of this has been the gradual disappearance of true flat discounts. Those surviving traditional vendors have re-introduced categories of books that

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either don't get any discount, or have service or handling charges applied to them. This has been done rather quietly and without much fanfare, but rest assured it's the result of vendors examining the per-unit contribution of the books they sell.

So where does this get us, or where does this leave us? Arguably, pricing was a major and divisive issue in the 1970s, and albeit in a somewhat different guise it is again today. Consider the lamentable disappearance of so many independent retail bookstores, both in the U.S. and abroad; victims of Internet commerce (younger friends groan when I engage in such discussions, and tell me to get over it — it's the way of the world). Reflect on the mergers, acquisitions, and failures of traditional book vendors (and, for that matter, serials agents), leaving librarians with fewer and fewer choices of where to buy books (particularly if you're looking for shelf-ready services, EDI, or other capabilities not routinely available from the web sellers). Think about how much less agreeable a world it is when you can't wander through a bookshop, browse, or chat with a true bookman. Where did the nails in these coffins come from? As **Donald** is wont to say, what goes around, comes around.